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## APPENDIX D

INCOME TAX WITHHOLDING TABLESA. TABLES FOR PERCENTAGE METHOD OF FEDERAL INCOME TAX  
WITHHOLDING -ANNUAL AND MONTHLY

\*The following method will be used to compute an annualized FITW rate for use in computing monthly federal income tax withholding when required. The tables are effective Jan 1, 2007 and are to continue to be used to compute a member's FITW for taxable wages paid through December 31, 2007.

\*FICA: The FICA rate is 7.65 percent which is a combination of social security (6.2 percent) and Medicare (1.45 percent). The wage base for social security is \$97,500 (with a yearly maximum withholding of \$6,045.00) and the Medicare tax now applies to all taxable wages.

Formula: Annual taxable income minus the standard deduction applied to either the single or married table equals the annual FITW.

<b>STEP 1</b>	Determine the taxable income. (All taxable income credited/debited on the LES is reflected in the Remarks section of the LES and as one total figure in block 34 of the LES.)*	
<b>STEP 2</b>	Subtract the standard deduction.	
*	If the Federal exemption (block 34 of the LES) shows:	<i>then the standard deduction is</i>
	0	\$00.00
	1	\$3,400.00
	2	\$6,800.00
	3	\$10,200.00
	4	\$13,600.00
	5	\$17,000.00
	6	\$20,400.00
	7	\$23,800.00
	8	\$27,200.00
	9	\$30,600.00
	10	\$34,000.00
	11 or more	Multiply the amount of one withholding allowance for specific payroll period by the number of allowances claimed.

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STEP 3		Apply the resultant to the appropriate table:			
	TABLE:	If taxable income (less deduction) is:		The amount of income tax to be withheld is:	of excess over
		Over	but not over		
	*SINGLE (S)	\$0.00	\$ 2,650.00	\$ 0.00	
		\$2,650.00	\$ 10,120.00	0.00 + 10%	\$ 2,650.00
		\$10,120.00	\$33,520.00	\$747.00 + 15%	\$10,120.00
		\$33,520.00	\$77,075.00	\$4,257.00 + 25%	\$33,520.00
		\$77,075.00	\$162,800.00	\$15,145.75 + 28%	\$77,075.00
		\$162,800.00	\$351,650.00	\$39,148.75 + 33%	\$162,800.00
		\$351,650.00	and up	\$101,469.25 + 35%	\$351,650.00
	*MARRIED (M)	\$ 0.00	\$8,000.00	\$0.00	
		\$ 8,000.00	\$23,350.00	\$0.00 + 10%	\$ 8,000.00
		\$23,350.00	\$70,700.00	\$1,535.00 + 15%	\$23,350.00
		\$70,700.00	\$133,800.00	\$8,637.50 + 25%	\$70,700.00
		\$133,800.00	\$203,150.00	\$24,412.50 + 28%	\$133,800.00
		\$203,150.00	\$357,000.00	\$43,830.50 + 33%	\$203,150.00
		\$357,000.00	And up	\$94,601.00 + 35%	\$357,000.00

\*The monthly wages times twelve equals the yearly wage.

- The yearly wage minus the value of all exemptions equals the annual taxable wage (see step 2, \$3,400.00 is allowed for each exemption claimed).
- Use the appropriate table (step 3) to establish the yearly tax.
- The yearly tax divided by twelve equals the monthly tax.

#### B. STATE INCOME TAX WITHHOLDING (SITW) FOR ONE-TIME ENTITLEMENTS

Many states have a flat percentage withholding rate established for one-time entitlements. In cases where the state has a flat rate established, that rate will be used vice the current four percent withholding rate. The flat percentage withholding rates for each rate are listed below. Note that in cases where the state has an agreement with the treasury department and does not have a flat percentage rate established, the default rate for one-time entitlements will continue to be four percent.

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<u>ESTABLISHED</u>				<u>ESTABLISHED</u>			
<u>STATE/</u>		<u>FLAT RATE</u>		<u>STATE/</u>		<u>FLAT RATE</u>	
<u>CODE</u>		<u>Y/N</u>		<u>CODE</u>	<u>Y/N</u>		
AL	01	Y	(5%)	NE	31	Y	(5%)
AK	02	N/A	NO STATE TAX	NV	32	N/A	NO STATE TAX
AZ	04	N	(DEFAULT TO 4%)	NH	33	N/A	MIL PAY EXEMPT
AR	05	Y	(7%)	NJ	34	N	(DEFAULT TO 4%)
*CA	06	Y	(6%)	NM	35	Y	(5.3%)
*+++CO	08	Y	(4.63%)	NY	36	Y	(7.35 %)
CT	09	N	(5.00 %)	*+++NC	37	Y	(6%)
DE	10	N	(DEFAULT TO 4%)	+++ND	38	Y	(3.92%)
++DC	11	N	(DEFAULT TO 4%)	OH	39	Y	(3.5%)
FL	12	N/A	NO STATE TAX	*+++OK	40	Y	(5.65%)
GA	13	N	(DEFAULT TO 4%)	OR	41	Y	(9%)
*HI	15	N	(DEFAULT TO 4%)	*PA	42	Y	(3.07% )
*ID	16	Y	(7.8%)	PR	RQ	N	(DEFAULT TO 4%)
IL	17	N/A	MIL PAY EXEMPT	RI	44	Y	(7.0%)
IN	18	Y	(Default to 4.0 %)	SC	45	N	(7.0%)
*+++IA	19	Y	(6%)	SD	46	N/A	NO STATE TAX
KS	20	Y	(5%)	TN	47	N/A	MIL PAY EXEMPT
KY	21	N	(DEFAULT TO 4%)	TX	48	N/A	NO STATE TAX
LA	22	N	(DEFAULT TO 4%)	*UT	49	N	(6%)
ME	23	Y	(5%)	VT	50	Y	(7.2%)
MD	24	Y	(4.75%)	VA	51	N	(5.75%
MA	25	N	(DEFAULT TO 4%)	WA	53	N/A	NO STATE TAX
MI	26	N/A	MIL PAY EXEMPT	WV	54	N	FOR ACTIVE DUTY NO TAX AGREEMENT
*MN	27	Y	(6.25%)				FOR RESERVE PAY
++MS	28	N	(DEFAULT TO 4%)				(DEFAULT TO 4%)
+++MO	29	Y	(6%)	WI	55	N	(DEFAULT TO 4%)
MT	30	N	FOR ACTIVE DUTY NO TAX AGREEMENT FOR RESERVE PAY 6%	WY	56	N/A	NO STATE PAY TAX

\*Members are exempted from state tax if not stationed in the state. For ID, when members are stationed in the state, round to the nearest whole dollar amount when using the flat percentage rate.

++Do not round to the nearest whole dollar amount when using the flat percentage rate.

+++Round to the nearest whole dollar amount when using the flat percentage rate.

Arizona (AZ), Connecticut (CT), New York (NY), New Jersey (NJ), Oregon (OR) and Missouri (MO) do not tax service members who claim legal residence in these states if they meet certain

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specific conditions. (Refer to MCO P1080.40B, Chapter 5, for each state's respective conditions.) To prevent the withholding of SITW from their wages and one-time entitlements, the member must complete and file the following form(s) with their commanding officer and the respective state, if required, and a unit diary entry (TTC 303) must be reported.

AZ - Complete an AZ State Form A-4M (Military Election Not To Withhold).

CT - Complete a CT W-4 Form

MO - Complete a MO State Form 374

NY - Complete a DD Form 2058-1 (State Income Tax Exemption Test Certificate)

NJ - Complete a DD Form 2058-1 (State Income Tax Exemption Test Certificate)

OR - Complete a DD Form 2058-1 (State Income Tax Exemption Test Certificate)

MN - Active duty service members who are a resident of Minnesota (MN) and are serving outside of the state are not considered a MN resident for MN income tax purposes for the period of time the member is stationed outside of MN. This change is effective for tax years beginning after December 1, 2000. Effective November 1, 2001, SITW was stopped for these members. Service members are required to file a tax return and nonresident forms M-1 and M-1NR for the tax year in order to claim a refund for any MN tax that has already been withheld.

\*Puerto Rico (RQ) - Members claiming RQ as a state of legal residence, for withholding purposes, will have withholding based on the source of income rules. Under the source of income rules, the withholding of income taxes are based upon the location where the member performs their duty/services, regardless of whether the member is permanently assigned to the location or performing TDY at the location. For members who claim RQ and are stationed inside of the United States (includes Alaska and Hawaii), taxable wages are subject to FITW only. RQ withholding will be suppressed. For members stationed outside of the United States, taxable wages are subject to RQ withholding only. FITW will be suppressed. If the member is deployed, the homeport will be used to establish withholding as determined by source of income rules (location of the homeport). To ensure the correct withholding tax is withheld, administrative units are required to report a member's geographic location code (TTC 135) when required. (refer to the MCTFS PRIUM, Chapter 5)

#### TERRITORIAL POSSESSIONS

#### CODE

American Samoa	AQ
Northern Mariana Islands	CQ
Midway Island	MQ
U.S. Miscellaneous Caribbean Islands	BQ
Puerto Rico	RQ
Canton and Enderbury Islands	EQ
Swan Islands	SQ
Guam	GQ
Trust Territories of the Pacific Islands	NQ
U.S. Miscellaneous Pacific Islands	IQ
Virgin Islands	VQ
Johnston Atoll	JQ
Wake Island	WQ